

**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

**State Capitol, Room 113  
Sacramento, CA**

**Minutes of Meeting  
November 20, 2008**

**COMMISSIONERS PRESENT**

Cathie Bennett Warner, Chair  
Michele Burton, M.P.H.  
Marvin Kropke  
Vicki Marti

**COMMISSIONERS ABSENT**

Wilma Chan  
Nancy McFadden

**EX-OFFICIO MEMBERS PRESENT**

Cathy Halverson, Department of Health Care Services  
Randy Ward, Department of Finance

**EX-OFFICIO MEMBERS ABSENT****CMAC STAFF PRESENT**

J. Keith Berger, Executive Director  
Paul Cerles  
Tacia Carroll  
Nathan Davis  
Denise DeTrano  
Holland Golec  
Mark Klobberdanz  
Katie Knudson  
Jenny Morgan  
Becky Swol  
Mike Tagupa  
Mervin Tamai  
Karen Thalhammer

**I. Call to Order**

The November 20, 2008 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Bennett Warner. A quorum was present.

**II. Approval of Minutes**

The November 6, 2008 meeting minutes were approved as prepared by CMAC staff.

### **III. Executive Director's Report**

J. Keith Berger, Executive Director, began his report by thanking the Commissioners, Paul Cerles, Deputy Director and Supervising Negotiator, and CMAC staff for all of the excellent work done during his absence.

Mr. Berger announced that CMAC has electronically transmitted letters notifying eligible hospitals that CMAC is commencing Round 4B negotiations for distributions from the Private Hospital Supplemental Fund and Round 4 negotiations for distributions from the Nondesignated Public Hospital Supplemental Fund. He noted that proposals from the facilities are due by December 19, 2008. CMAC is scheduling Commission action for February 2009. He said that the letter, schedule and required forms are available on the CMAC website, and that copies of the schedules are available here at today's meeting.

At this time, Mr. Berger asked ex-officio member Randy Ward, Department of Finance, if he had any information regarding the budget and the Legislature's special session. Mr. Ward had nothing to report at this time.

Mr. Berger reminded the Commissioners that the next CMAC meeting will be on December 11, 2008, three weeks from today. He noted that the 2009 schedule would start with the first meeting of the year on January 8, and that copies of CMAC's meeting schedule through June 2009 are available at today's meeting as well as on CMAC's website.

Mr. Berger informed the Commissioners that there were 20 contracts and amendments before them for review and action in today's closed session as well as continuing discussions and updates regarding current hospital and managed care negotiations and negotiation strategies.

### **IV. Department of Health Care Services (DHCS) Report**

Cathy Halverson, DHCS, had nothing new to report.

### **V. Presentation on the Hospital Seismic Retrofit Program**

At this time, Chair Bennett Warner and Mr. Berger welcomed Mr. David, Chief Deputy Director, and Mr. Gillengerten, Deputy Director of the Facilities Development Division, at the Office of Statewide Health Planning and Development (OSHDP). The OSHPD representatives reported on the Hospital Seismic Safety Act, Facilities Development Division (FDD) functions, healthcare construction statistics, as well as new project permitting approaches.

Following the OSHPD presentation, Chair Bennett Warner welcomed Roger Richter, Senior Vice President and Anne McLeod, Vice President of the California Hospital Association (CHA). The CHA representatives informed CMAC of the financial condition of California's hospitals and their effort to comply with seismic building requirements.

The Commissioners inquired about various issues including: hospitals in Los Angeles County, labor workforce for hospital construction projects, and hospitals that are seeking a change in classification.

Attached are copies of the presentation materials prepared by OSHPD and CHA which provide more detail.

#### **VI. New Business/Public Comments/Adjournment**

There being no new business and no comments from the public, Chair Bennett Warner recessed the open session. Chair Bennett Warner opened the closed session and, after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair Bennett Warner announced that the Commission had taken action on hospital contracts and amendments in closed session. The open session was then adjourned.



# The Financial Condition of California's Hospitals and Their Ability to Comply with Seismic Building Requirements

Roger Richter, Senior Vice President

Anne McLennan, Vice President

California Hospital Association



CALIFORNIA  
**HOSPITAL**  
ASSOCIATION



## California Hospital Response to the Seismic Mandate

- SB 1953 (Chapter 740, Statutes of 1994)
- Thirty-eight percent of 2,700 hospital buildings were considered at seismic risk
- Many hospitals planned to incrementally retrofit to substantial compliance to meet the requirements of SB 1953 (Chapter 740)



# California Hospital Response to the Seismic Mandate (Con't)

Many issues arose

- Access Compliance/ADA
- Non-structural costly
- Some service areas would have to be inefficiently retrofitted in a piecemeal manner
- The newest non-compliant building will be 58 years old in 2030
- With the late 90's and early 2000's building boom contractors and subs lost interest in complex hospital work.



## Projected Mandate Costs (without financing costs):

1994	HBSB SB 1953 Cost Estimate	\$14 billion
2002	CHA Consultants Estimate	\$24 billion (2006 = \$40 billion)
2002	RAND Estimate	Up to \$41 billion (2006 = \$68 billion)
2006	DAVIS Langdon	66% increase 2003-2005
2007	RAND Estimate	Up to \$110 billion



# 2008 Seismic Mandate Issues

- HAZUS – Approximately 50 percent of SPC-1 buildings SPC-2
- HAZUS does not reduce costs of mandate – it spreads costs out
- Complexity of Issue for Hospital Systems
- Shortage of Qualified Subcontractors
- Access to Capital Constraints





# OSHHPD and the Labor and Workforce Development Agency Working Well with Hospitals

- CHA/OSHHPD Best Practices Manual
- HAZUS Development by OSHHPD
- OSHHPD Innovative Plan Review
- Labor and Workforce Development Agency promoting the need to train subcontractors to perform hospital work
- Co-sponsoring Education Programs with Both



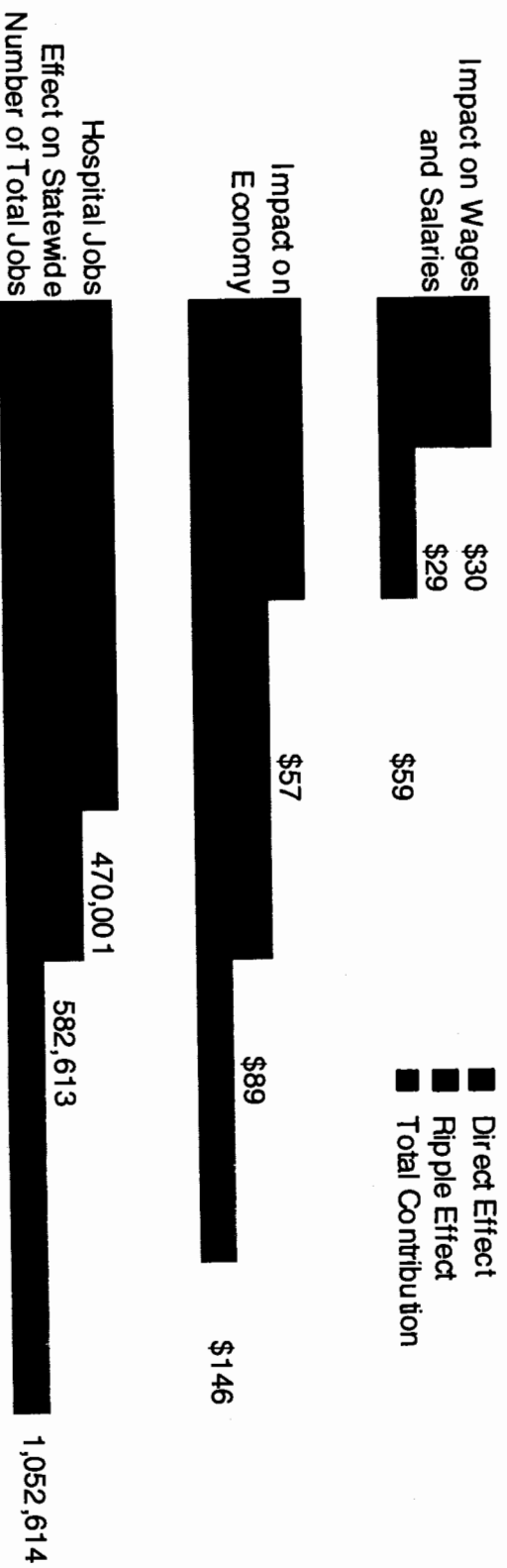
# Where We Are Headed

- By the end of 2009 there will be an indication of which hospitals will be forced to close by 2013 due to the seismic mandate
- Number of hospitals/health systems know they cannot meet the current deadlines
- More financial and extension relief needed



# California Hospitals and the State Economy

Impact of California Hospitals on State Economy (\$in billions), 2006





# California Hospitals and the State Economy

## Comparative Utilization Indicators per 1,000 Population (2006)

Hospital Beds	1.9 per 1,000	US Rank 49	Range 6.2 to 1.7
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<u>Year</u>	<u>Beds</u>
2003	81,500
2004	80,921
2005	80,185
2006	79,672
2007	79,073

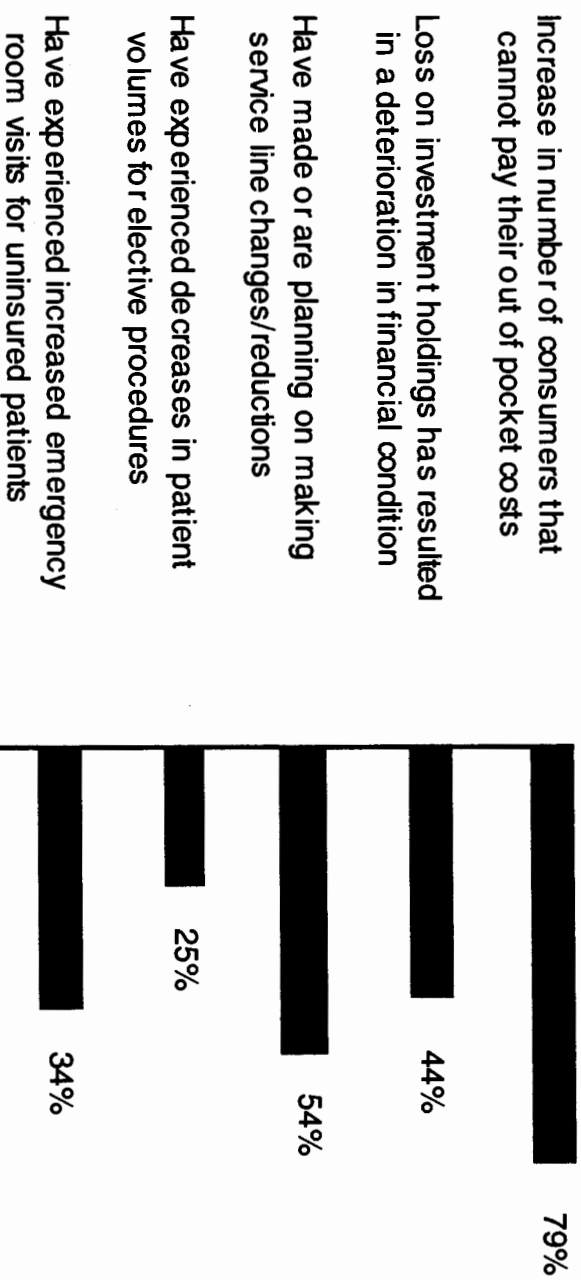
Inpatient Days	501.4 per 1,000	US Rank 44	Range 1,683.6 to 379.9
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<u>Year</u>	<u>Days</u>
2003	17,865,821
2004	17,615,123
2005	17,598,470
2006	17,488,689
2007	17,439,891



# California Hospitals and the State Economy

## Percent of Hospitals Reporting Various Effects of Economic Downturn November 2008

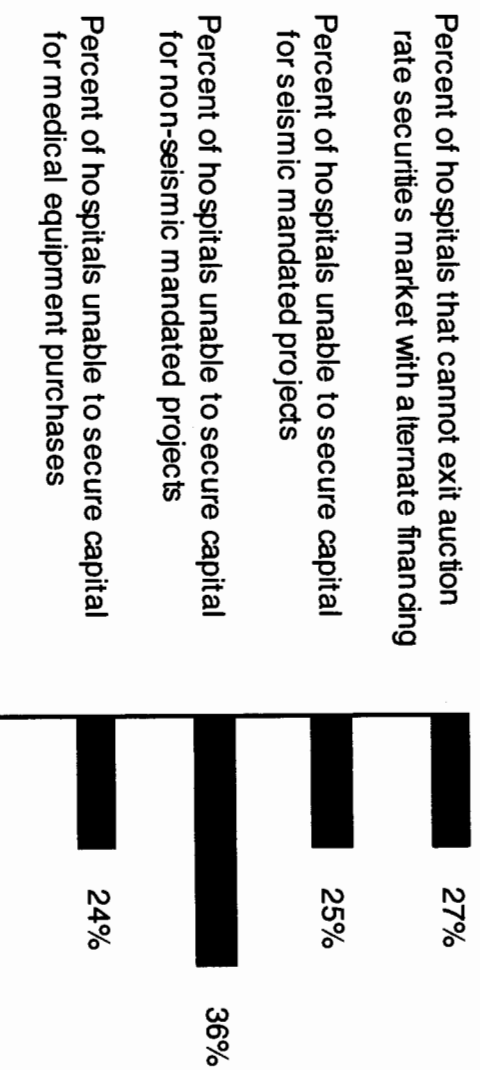


Source: Preliminary results from CHA survey to hospital CFOs on economic impact



# California Hospitals and the State Economy

## Percent of Hospitals Reporting Problems Accessing Capital November 2008

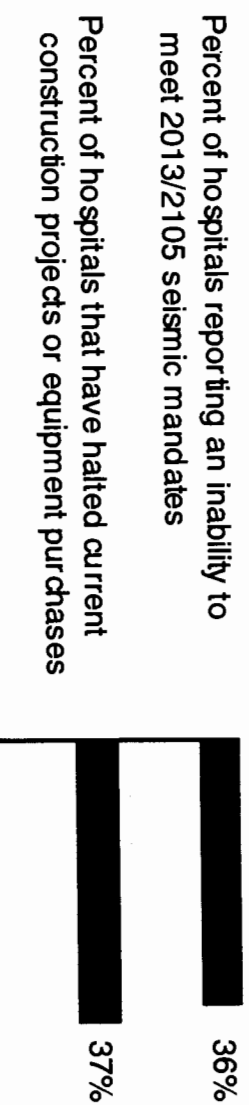


Source: Preliminary results from CHA survey to hospital CFOs on economic impact



# California Hospitals and the State Economy

## Percent of Hospitals Reporting Effects of Credit Crisis November 2008

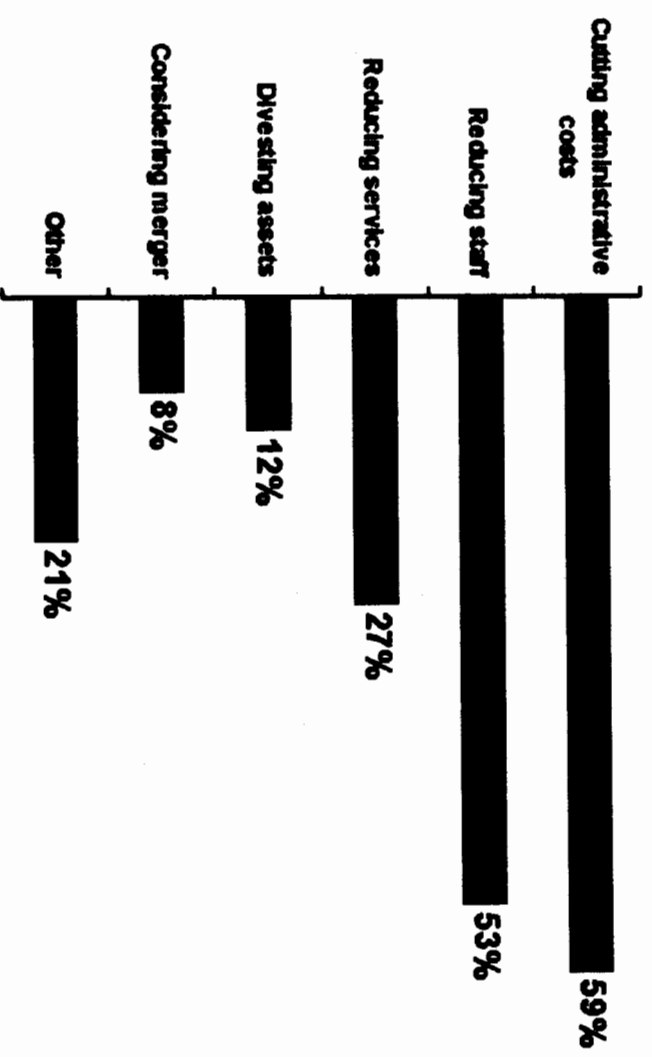


Source: Preliminary results from CHA survey to hospital CFOs on economic impact



# California Hospitals and the State Economy

Percent of Hospitals Making or Considering Changes to Weather the Economic Storm, November 2008

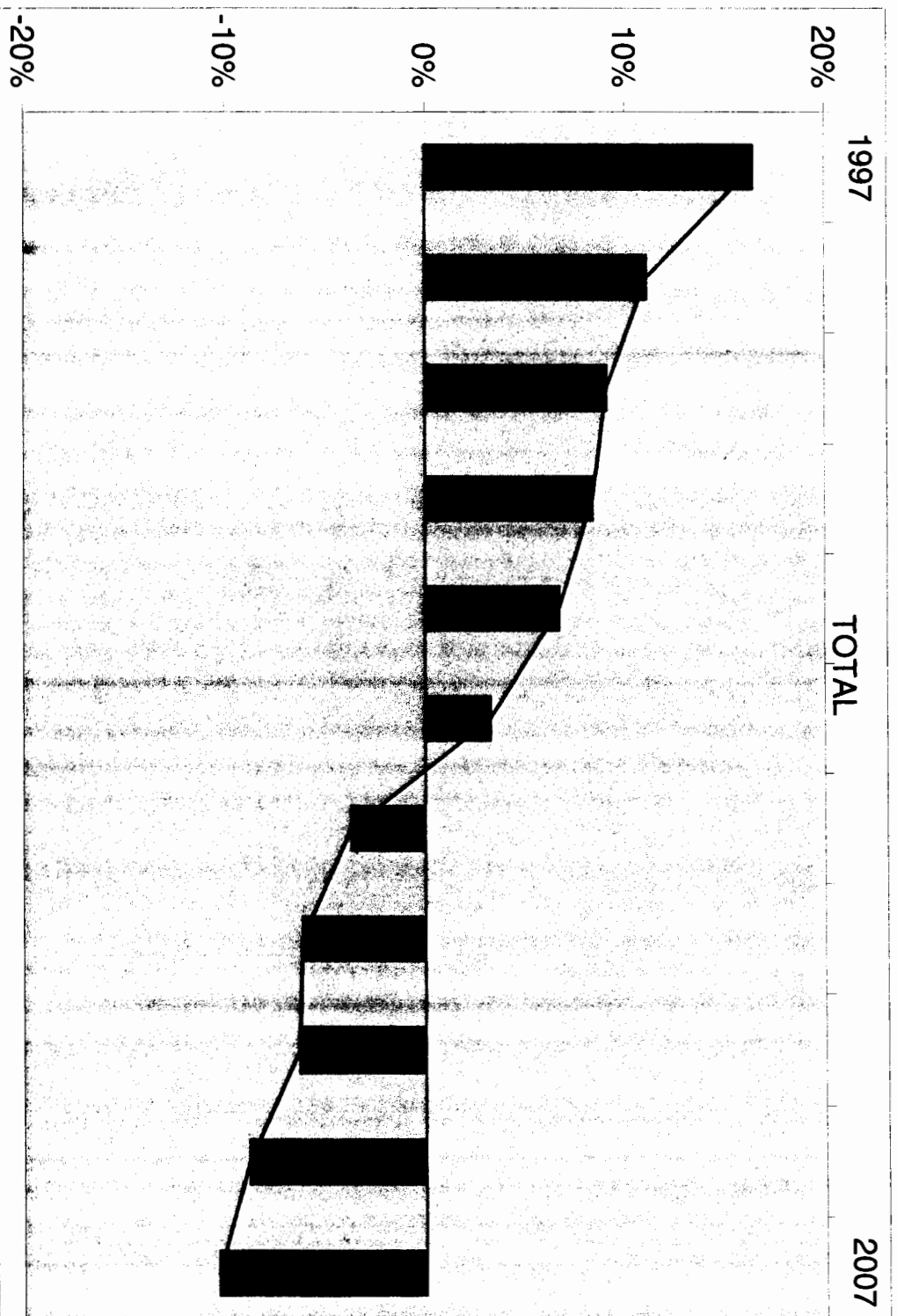


Source: AHA, (November 2008). Rapid Response Survey, The Economic Crisis: Impact on Hospitals.



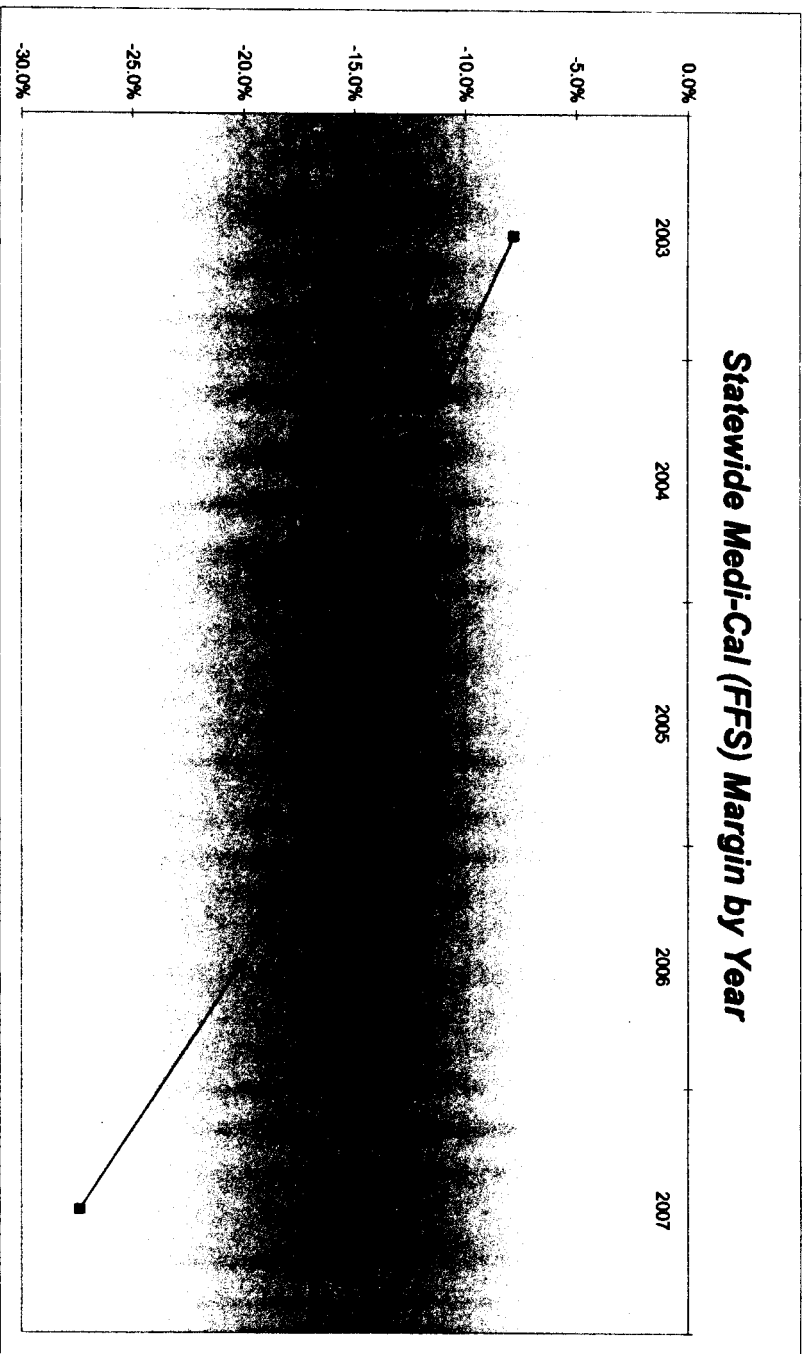


# Medicare Reimbursement Trends





# Medi-Cal Reimbursement Trends



	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual
Revenues	\$9,256,740,035	\$9,601,447,200	\$10,257,805,530	\$10,244,884,585	\$10,323,757,443
Costs	\$9,980,333,670	\$10,835,892,744	\$11,508,414,337	\$12,308,592,135	\$13,150,212,041
Gains/(Losses)	(\$723,593,635)	(\$1,234,445,544)	(\$1,250,608,807)	(\$2,063,707,550)	(\$2,826,454,598)
Margin	-7.8%	-12.9%	-12.2%	-20.1%	-27.4%



# Questions

Roger Richter, Senior Vice President California Hospital Association  
916-552-7570 or [rrichter@calhospital.org](mailto:rrichter@calhospital.org)

Anne McLeod, Vice President California Hospital Association  
916-552-7536 or [amcleod@calhospital.org](mailto:amcleod@calhospital.org)



## Update on Healthcare Construction to the California Medical Assistance Commission

Robert P. David  
Chief Deputy Director, CMAC  
John D. Gillengarten, SE  
Deputy Director, CMAC

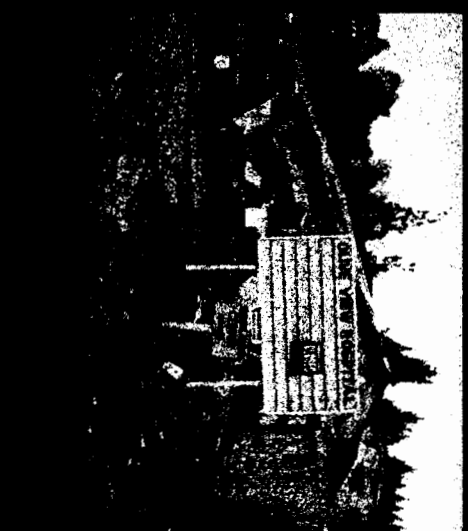
## Topics

- Earthquakes and the Hospital Seismic Safety Act (HSSA)
- FDD Functions
- Healthcare Construction Statistics
- New Project Permitting Approaches
- SB 1953 and HAZUS

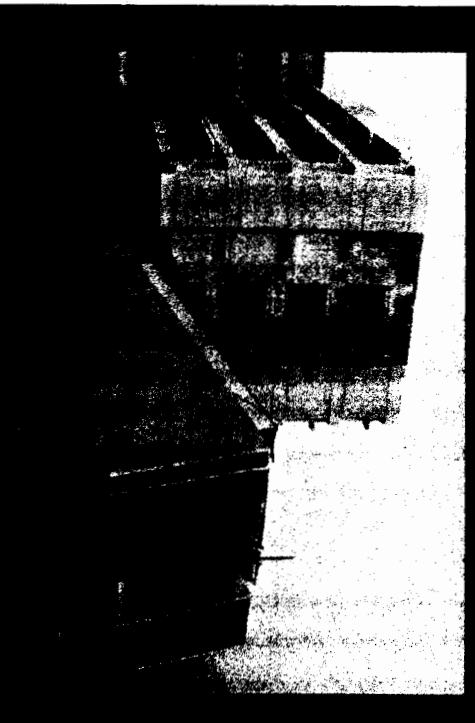
## Hospital Seismic Safety Act (HSSA)

- Prior to 1971 San Fernando Earthquake
  - local building official had authority
- Performance of hospitals in San Fernando quake
  - Failures of new buildings
  - Failures attributed to poor design, shoddy construction, and obsolete codes

## San Fernando - 1971



## Olive View Medical Center 1971



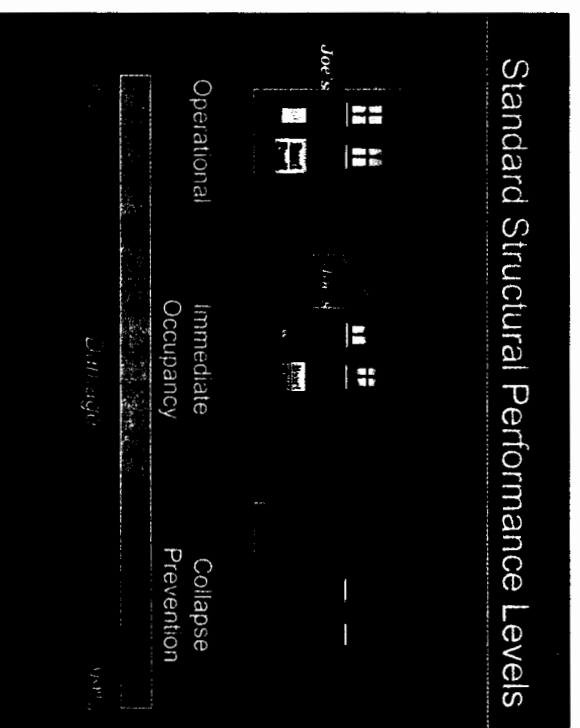
## Olive View Medical Center



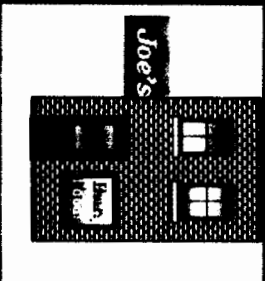
## Response to the San Fernando Earthquake

- Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1973 (HSSA)
- Hospital buildings must be reasonably capable of providing services to the public after a disaster
- Construction of new hospitals placed under state jurisdiction (OSHPPD)
- HSSA covers plan review, construction observation, building codes

## Standard Structural Performance Levels

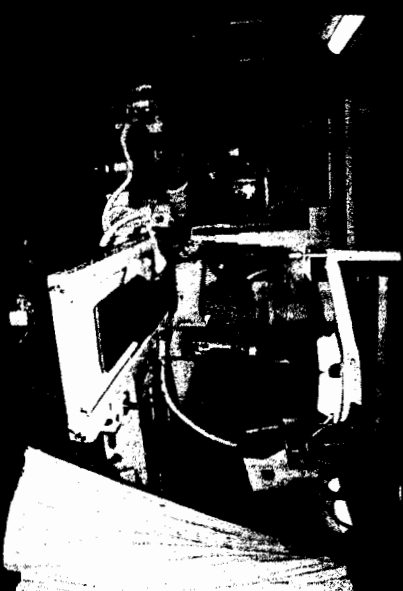


## Immediate Occupancy Level



- Minor structural and nonstructural damage
- Utilities are available
- Facility is available for immediate re-use
- Repair costs are low

## Nonstructural Damage



## Nonstructural Damage



## Six Basic Areas of Responsibility

- Plan Review and Construction Observation
- Regulation Development
- Hospital Seismic Retrofit Program
- Hospital Building Safety Board
- Research
- Emergency Response

## FDD Review Functions

- Plan Review
  - Check plans and specifications for code compliance
- Construction Phase
  - Observe the construction for conformance with approved plans and applicable codes
  - Monitor the Inspector of Record (retained by the owner) for adequate and competent performance
  - Process changes during construction

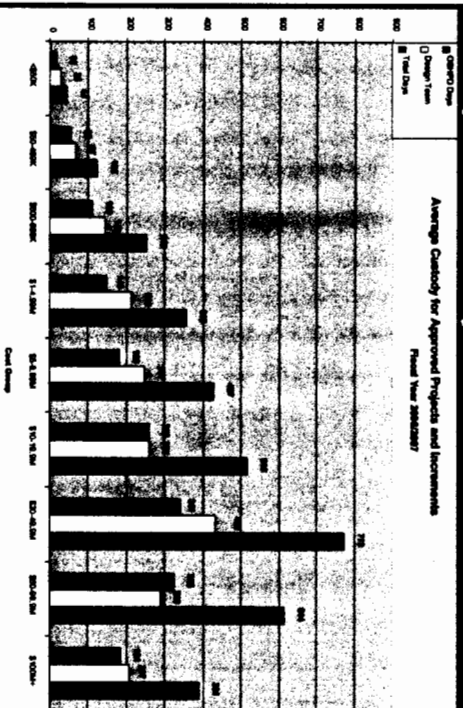
## Plan Review Performance

- Total time to permit is a joint responsibility of OSHPD and the Hospital Design Team
- OSHPD meets their review turnaround targets more than 94% of the time
- Hospitals have up to 180 days to resubmit corrected drawings

## Project Trends

- \$20.5 Billion in review or under construction
- For 2008 as of June 30
  - 1,115 approved in plan review
  - 52% < \$50,000 in construction cost
  - 88% < \$500,000

## Project Custody FY 06/07



## New Project Permitting Approaches

- Small Projects
  - SB 1838 Program for small projects (less than \$50,000 in construction cost)
- Large Projects
  - Phased Plan Review/Collaborative Design (OSHDP review starts while the design is underway)

## What is SB 1953?

- Enacted following 1994 Northridge Earthquake
  - Database of hospital building stock
  - Evaluation of structural (SPC) and nonstructural (NPC) performance
  - Buildings performance rated from "1" (worst) to "5" (best)
  - Retrofit SPC-1 buildings to prevent collapse and loss of life by 2008 (or 2013 with an extension)
  - Retrofit SPC-2 buildings to provide continued operation after an earthquake by 2030

## SB 1953 and HAZUS



## Hospital Response...

- Lengthy planning period (1995-2002)
- Some hospitals are implementing an aggressive building program
  - Hospitals identified their seismic risks
  - Hospitals identified operational costs arising from outdated buildings and technology
- Others have chosen to await developments
- SB 1953 was the catalyst – Hospitals now realize there are many advantages to upgrading facility infrastructure



## SPC Ratings



## HAZUS Implementation

- Total re-evaluation requests: 251 buildings
- Re-evaluations Completed: 129 buildings
  - 71 reclassified SPC-2 (55%)
  - 52 reclassified SPC-1 (45%)
  - 6 ineligible (5%)
- Re-evaluations in Progress: 122 buildings
  - 24 currently under OSHPD review (20%)
  - 98 returned for additional information (80%)

## What is HAZUS ?

- HAZUS is a standardized publicly available and nationally applicable earthquake loss estimation methodology.
  - Developed by FEMA
- OSHPD is using HAZUS to evaluate potential seismic risks associated with SPC-1 hospital buildings
  - SPC-1 buildings that pose a lower risk of Collapse are reclassified to SPC-2

[www.oshpd.ca.gov](http://www.oshpd.ca.gov)

